TABLE 9.   ILLUSTRATIVE COSTS OF AND EFFECTS ON A CHILD SUPPORT ASSURANCE PROGRAM
            OF INCREASING THE NUMBER OF WOMEN WHO HAVE CHILD SUPPORT AWARDS, 1995

	Increase of 10 Percent; No Child Support Paid	Change from CSAP with No Behavioral Effect	Increase of 10 Percent; Child Support Paid	Change from CSAP with No Behavioral Effect	Increase of 30 Percent; No Child Support Paid	Change from CSAP with No Behavioral Effect	Increase of 30 Percent; Child Support Paid	Change from CSAP with No Behavioral Effect
Costs (Billions of dollars)[a]								
Gross Costs[b]	3.7	1.1	2.9	0.3	5.9	3.3	3.5	0.9
AFDC and Food Stamp Savings (-)[c]	-1.3	-0.3	-1.3	-0.3	-1.8	-0.8	-2.0	-1.0
Net Costs Excluding Revenues	2.4	0.8	1.5	-0.1	4.1	2.5	1.5	-0.1
Increase in Income Tax Revenues (-)	-0.4	-0.2	-0.3	d	-0.8	-0.5	-0.4	-0.1
Net Costs	2.0	0.7	1.2	-0.1	3.3	2.0	1.2	-0.2
Effects on Families								
Number of Families Receiving Benefits (Millions)	3.0	0.6	2.7	0.3	4.2	1.9	3.3	0.9
Average Annual Payment per Family (Dollars)[e]	1,240	135	1,080	-25	1,400	295	1,065	-40
Percentage of Families Losing Eligibility for AFDC[f]	2.1	0.7[g]	2.3	0.9[g]	2.9	1.5[g]	3.3	1.9[g]

TABLE 9.   CONTINUED

	Increase of 10 Percent; No Child Support Paid	Change from CSAP with No Behavioral Effect	Increase of 10 Percent; Child Support Paid	Change from CSAP with No Behavioral Effect	Increase of 30 Percent; No Child Support Paid	Change from CSAP with No Behavioral Effect	Increase of 30 Percent; Child Support Paid	Change from CSAP with No Behavioral Effect
Effects on Family Incomes and Poverty Status (Percent)[h]								
Change in Average Annual Income	1	d	1	d	1	d	1	1[g]
Change in Poverty Rate[i]	-1	d	-2	-1[g]	-2	-1[g]	-3	-2[g]
Change in Poverty Gap[j]	-3	-1[g]	-3	-1[g]	-4	-2[g]	-5	-3[g]

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTES: Estimates are based on the standard CSAP design that has a low maximum benefit and requires an award.

For those variants for which the new awards also resulted in child support payments, payments were assigned at roughly the same rates and amounts as for all families with awards in 1995.

Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children.

a.   Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.
b.   After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
c.   Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
d.   Less than $50 million or 0.5 percentage points.
e.   After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
f.   The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.
g.   In percentage points.
h.   Estimates reflect changes for all families who are potentially eligible for child support.
i.   The poverty rate is the percentage of families whose incomes fall below the poverty threshold.
j.   The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

TABLE 10. ILLUSTRATIVE COSTS OF AND EFFECTS ON A CHILD SUPPORT ASSURANCE PROGRAM OF DECREASING THE NUMBER OF MOTHERS WHO RECEIVE PARTIAL CHILD SUPPORT PAYMENTS, 1995

	Decrease of 10 Percent	Change from CSAP with No Behavioral Effect	Decrease of 30 Percent	Change from CSAP with No Behavioral Effect
Costs (Billions of dollars)[a]				
Gross Costs[b]	2.8	0.2	3.3	0.7
AFDC and Food Stamp Savings (-)[c]	<u>-1.0</u>	<u>d</u>	<u>-1.0</u>	<u>d</u>
Net Costs Excluding Revenues	1.8	0.2	2.3	0.7
Increase in Income Tax Revenues (-)	<u>-0.3</u>	<u>d</u>	<u>-0.4</u>	<u>-0.1</u>
Net Costs	1.5	0.2	1.9	0.6
Effects on Families				
Number of Families Receiving Benefits (Millions)	2.4	d	2.5	0.2
Average Annual Payment per Family (Dollars)[e]	1,170	65	1,310	205
Percentage of Families Losing Eligibility for AFDC[f]	1.4	d	1.4	d

(Continued)

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TABLE 10.   CONTINUED

	Decrease of 10 Percent	Change from CSAP with No Behavioral Effect	Decrease of 30 Percent	Change from CSAP with No Behavioral Effect

Effects on Family Incomes and Poverty Status (Percent)[g]

Change in Average Annual Income	d	h	d	h
Change in Poverty Rate[i]	-1	h	-1	h
Change in Poverty Gap[j]	-2	h	-2	h

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTES: Estimates are based on the standard CSAP design that has a low maximum benefit and requires an award.

Families who received less than the full amount of child support they were due had their child support payments reduced to zero. Families who received the full amount due were left unaffected.

Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children.

a.   Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.
b.   After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
c.   Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
d.   Less than $50 million, 50,000 families, 0.5 percent, or 0.05 percentage points.
e.   After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
f.   The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.
g.   Estimates reflect changes for all families who are potentially eligible for child support.
h.   Less than 0.5 percentage points.
i.   The poverty rate is the percentage of families whose incomes fall below the poverty threshold.
j.   The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

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TABLE 11.   ILLUSTRATIVE COSTS OF AND EFFECTS ON A CHILD SUPPORT
              ASSURANCE PROGRAM OF INCREASING THE NUMBER
              OF MOTHERS WITH AWARDS BY 30 PERCENT
              AND DECREASING THE NUMBER OF MOTHERS WITH
              PARTIAL CHILD SUPPORT PAYMENTS BY 30 PERCENT, 1995

	CSAP with Behavioral Effects	Change from CSAP with No Behavioral Effects
Costs (Billions of dollars)[a]		
Gross Costs[b]	4.4	1.8
AFDC and Food Stamp Savings (-)[c]	<u>-2.0</u>	<u>-1.0</u>
Net Costs Excluding Revenues	2.4	0.8
Increase in Income Tax Revenues (-)	<u>-0.5</u>	<u>-0.3</u>
Net Costs	1.9	0.6
Effects on Families		
Number of Families Receiving Benefits (Millions)	3.4	1.1
Average Annual Payment per Family (Dollars)[d]	1,285	180
Percentage of Families Losing Eligibility for AFDC[e]	3.3	1.9[f]

(Continued)

TABLE 11. CONTINUED

	CSAP with Behavioral Effects	Change from CSAP with No Behavioral Effects

Effects on Family Incomes and Poverty Status (Percent)[g]

Change in Average Annual Income	1	1[f]
Change in Poverty Rate[h]	-3	-2[f]
Change in Poverty Gap[i]	-5	-3[f]

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTES: Estimates are based on the standard CSAP design that has a low maximum benefit and requires an award.

Families who were assigned increases in awards were also assigned child support payments at roughly the same rates and amounts as for all families with awards in 1995.

Families who received less than the full amount of child support they were due had their child support payments reduced to zero. Families who received the full amount due were left unaffected.

Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children.

a. Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.
b. After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
c. Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
d. After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
e. The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.
f. In percentage points.
g. Estimates reflect changes for all families who are potentially eligible for child support.
h. The poverty rate is the percentage of families whose incomes fall below the poverty threshold.
i. The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

APPENDIX A: SUPPORTING TABLES

This appendix provides data on several additional variations in the design of a child support assurance program.

TABLE A-1.   ESTIMATED COSTS AND EFFECTS OF IMPUTING CHILD SUPPORT
            TO COOPERATORS, 1995

	Medium Maximum Benefit, Cooperators Allowed		
	CSAP with Child Support Imputed to Some Cooperators	Change from CSAP in Which Cooperators Receive No Child Support	Change from CSAP That Limits Eligibility to Children with Awards
Costs (Billions of dollars)[a]			
Gross Costs[b]	10.7	-1.8	6.2
AFDC Savings (-)[c]	-5.5	0.1	-4.0
Food Stamp Savings (-)[c]	<u>-1.1</u>	<u>d</u>	<u>-0.8</u>
Net Costs Excluding Revenues	4.2	-1.8	1.4
Increase in Income Tax Revenues (-)	<u>-0.8</u>	<u>0.2</u>	n.a.
Net Costs	3.4	-1.6	n.a.
Effects on Families			
Number of Families Receiving Benefits (Millions)	5.4	-0.4	2.6
Average Annual Payment per Family (Dollars)[e]	1,995	-170	345
Percentage of Families Losing Eligibility for AFDC[f]	14.4	-0.6[g]	11.1[g]

(Continued)

	Medium Maximum Benefit, Cooperators Allowed		
	CSAP with Child Support Imputed to Some Cooperators	Change from CSAP in Which Cooperators Receive No Child Support	Change from CSAP That Limits Eligibility to Children with Awards

Effects on Family Incomes and Poverty Status (Percent)[h]

Change in Average Annual Income	2	d	1[g]
Change in Poverty Rate[i]	-5	d	-3[g]
Change in Poverty Gap[j]	-11	-1[g]	-8[g]

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTES: Child support payments are ascribed to cooperators at roughly the same rates and amounts as for all families eligible for child support.

Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children; n.a. = not available.

a. Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.
b. After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
c. Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
d. Less than $50 million or 0.5 percentage points.
e. After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
f. The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.
g. In percentage points.
h. Estimates reflect changes for all families who are potentially eligible for child support.
i. The poverty rate is the percentage of families whose incomes fall below the poverty threshold.
j. The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

TABLE A-2.   ESTIMATED COSTS AND EFFECTS OF VARYING ELIGIBILITY
                   IN A CHILD SUPPORT ASSURANCE PROGRAM
                   WITH LOW AND HIGH MAXIMUM BENEFITS, 1995

	Low Maximum Benefit		High Maximum Benefit	
	Award Required	Cooperators Allowed	Award Required	Cooperators Allowed

Costs (Billions of dollars)[a]

Gross Costs[b]	2.6	8.2	8.4	20.1
AFDC Savings (-)[c]	-0.8	-3.7	-2.4	-8.1
Food Stamp Savings (-)[c]	-0.2	-0.6	-0.7	-2.0
Net Costs Excluding Revenues	1.6	4.0	5.3	9.9
Increase in Income Tax Revenues (-)	-0.3	n.a.	n.a.	-1.8
Net Costs	1.3	n.a.	n.a.	8.1

Effects on Families

Number Receiving Benefits (Millions)				
Families	2.4	5.4	3.7	6.8
Children	4.1	9.6	6.4	12.0
Families receiving AFDC	0.9	3.0	1.3	3.3
Average Annual Payment (Dollars)[d]				
Per family	1,105	1,525	2,255	2,955
Per child	630	855	1,315	1,680
Per family receiving AFDC	1,225	1,745	2,730	3,590
Percentage of Families Losing Eligibility for AFDC[e]	1.4	6.7	8.4	29.7

(Continued)

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TABLE A-2.   CONTINUED

	Low Maximum Benefit		High Maximum Benefit	
	Award Required	Cooperators Allowed	Award Required	Cooperators Allowed

Effects on Family Incomes and Poverty Status[f]

Change in Average Annual Income per Family				
Dollars	140	360	475	945
Percent	g	1	1	3
Change in Poverty Rate (Percent)[h]	-1	-3	-4	-7
Change in Poverty Gap (Percent)[i]	-2	-7	-6	-17

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTE: Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children; n.a. = not available.

a.   Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.
b.   After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
c.   Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
d.   After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
e.   The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.
f.   Estimates reflect changes for all families who are potentially eligible for child support.
g.   Less than 0.5 percent.
h.   The poverty rate is the percentage of families whose incomes fall below the poverty threshold.
i.   The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

TABLE A-3.   ESTIMATED COSTS AND EFFECTS OF MEANS-TESTING BENEFITS UNDER THREE STANDARD DESIGNS
             OF A CHILD SUPPORT ASSURANCE PROGRAM USING AN ALTERNATIVE MEANS TEST, 1995

	Low Maximum Benefit, Award Required		Medium Maximum Benefit, Award or Cooperation Required		High Maximum Benefit, Award or Cooperation Required	
	CSAP with a Means Test	Change from CSAP Without a Means Test	CSAP with a Means Test	Change from CSAP Without a Means Test	CSAP with a Means Test	Change from CSAP Without a Means Test
Costs (Billions of dollars)[a]						
Gross Costs[b]	1.7	-0.9	10.0	-2.6	15.9	-4.2
AFDC and Food Stamp Savings (-)[c]	-1.0	d	-6.6	d	-10.2	d
Net Costs Excluding Revenues	0.7	-0.9	3.4	-2.6	5.7	-4.2
Increase in Income Tax Revenues (-)[e]	0	0.3	0	1.0	0	1.8
Net Costs	0.7	-0.6	3.4	-1.6	5.7	-2.4
Effects on Families						
Number of Families Receiving Benefits (Millions)	1.7	-0.7	4.9	-0.9	5.5	-1.3
Average Annual Payment per Family (Dollars)[f]	980	-120	2,050	-120	2,860	-95
Percentage of Families Losing Eligibility for AFDC[g]	1.4	0	15.0	0	29.7	0

(Continued)

TABLE A-3.   CONTINUED

	Low Maximum Benefit, Award Required		Medium Maximum Benefit, Award or Cooperation Required		High Maximum Benefit, Award or Cooperation Required	
	CSAP with a Means Test	Change from CSAP Without a Means Test	CSAP with a Means Test	Change from CSAP Without a Means Test	CSAP with a Means Test	Change from CSAP Without a Means Test
Effects on Family Incomes and Poverty Status (Percent)[h]						
Change in Average Annual Income	d	d	1	-1[i]	2	-1[i]
Change in Poverty Rate[j]	d	d	-4	d	-7	d
Change in Poverty Gap[k]	-2	d	-10	d	-16	d

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTES: The means test phases out benefits at a 21 percent rate on incomes at or above $1,000 a month. Income of the mother and stepfather, if one is present, is counted. Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children.

a.   Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.

b.   After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.

c.   Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.

d.   Less than $50 million, 0.5 percent, or 0.5 percentage points.

e.   Because of the means test, benefits were considered nontaxable.

f.   After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.

g.   The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.

h.   Estimates reflect changes for all families who are potentially eligible for child support.

i.   In percentage points.

j.   The poverty rate is the percentage of families whose incomes fall below the poverty threshold.

k.   The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

APPENDIX B: COMPARING COSTS AND EFFECTS OF A CHILD SUPPORT
ASSURANCE PROGRAM IN 1989 AND 1995

The estimates presented in this memorandum are for calendar year 1995, based on projections of child support from the most recent available data, which are for 1989. This appendix compares the projected outcomes of a child support assurance program in 1995 with its estimated outcomes in 1989. By identifying changes over time and the sources of those changes, the growth path of the program's costs and its effects on families can be better understood.

The net costs of a CSAP based on the low maximum benefit and requiring a child support award for eligibility were estimated to increase by 60 percent from 1989 to 1995, rising from $0.8 billion to $1.3 billion (see Table B-1). About half of that increase reflected the larger number of families who were projected to receive benefits. The number of beneficiary families was estimated to rise from 1.9 million to 2.4 million because of a general increase in the number of women who were eligible for child support and an increase in the proportion of women who had child support awards and thus qualified for CSAP benefits.[1]

A rise in the average benefits per family from a CSAP accounted for the other half of the increase in net costs. Two sources of those higher average benefits were important. First, the projections to 1995 included an increased probability of having a child support award, particularly for mothers who had never married. The awards to those mothers were smaller than the awards to mothers who had been married, which led to smaller average child support payments and above-average benefits from a CSAP. Second, the Congressional Budget Office projected that average child support payments would decline by more than 2 percent in inflation-adjusted terms from 1989 to 1995, whereas the maximum CSAP benefit was held constant after inflation.[2] If a CSAP was designed so that its benefits did not increase with the cost of living, average benefits might decline over time as child support awards and payments increased in nominal terms.

Tables B-2 and B-3 present 1989 and 1995 estimates for two standard CSAP designs with medium and high maximum benefits and eligibility extended to cooperators. Gross and net costs rise less in percentage terms than for the first standard package. That "reduction" primarily reflects a smaller percentage increase in the number of families who receive benefits because the boost that would occur from a rise in projected award rates, as in the first standard package, would be smaller.

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1.   For more detail on the projections to 1995, see Congressional Budget Office, *The Changing Child Support Environment*, CBO Paper (February 1995), Chapter III and Appendix B.

2.   For 1995, CBO specified the maximum benefits for the simulations. Then, for the 1989 simulations, it deflated those maximum benefits by the consumer price index so that benefit levels would be held constant after inflation.

TABLE B-1.   ESTIMATED COSTS AND EFFECTS OF A CHILD SUPPORT ASSURANCE
PROGRAM THAT HAS A LOW MAXIMUM BENEFIT AND REQUIRES
AN AWARD FOR ELIGIBILITY, 1989 VERSUS 1995

	1989 Estimates	1995 Projections	Change (Percent)
Costs (Billions of dollars)[a]			
Gross Costs[b]	1.7	2.6	55
AFDC Savings (-)[c]	-0.5	-0.8	52
Food Stamp Savings (-)[c]	-0.1	-0.2	59
Net Costs Excluding Revenues	1.0	1.6	55
Increase in Income Tax Revenues (-)	-0.2	-0.3	38
Net Costs	0.8	1.3	60
Effects on Families			
Number of Families Receiving Benefits (Millions)	1.9	2.4	25
Average Annual Payment per Family (Dollars)[d]	895	1,105	23
Percentage of Families Losing Eligibility for AFDC[e]	1.4	1.4	f

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTE: Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children.

a. Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government—federal, state, or local—finances the program.
b. After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
c. Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
d. After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
e. The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.
f. Less than 0.5 percentage points.

TABLE B-2.   ESTIMATED COSTS AND EFFECTS OF A CHILD SUPPORT ASSURANCE PROGRAM THAT HAS A MEDIUM MAXIMUM BENEFIT AND REQUIRES AN AWARD OR COOPERATION FOR ELIGIBILITY, 1989 VERSUS 1995

	1989 Estimates	1995 Projections	Change (Percent)
Costs (Billions of dollars)[a]			
Gross Costs[b]	9.0	12.6	40
AFDC Savings (-)[c]	-4.2	-5.5	30
Food Stamp Savings (-)[c]	-0.7	-1.1	58
Net Costs Excluding Revenues	4.1	6.0	48
Increase in Income Tax Revenues (-)	-0.7	-1.0	37
Net Costs	3.3	5.0	50
Effects on Families			
Number of Families Receiving Benefits (Millions)	5.0	5.8	17
Average Annual Payment per Family (Dollars)[d]	1,800	2,170	20
Percentage of Families Losing Eligibility for AFDC[e]	12.1	15.0	3[f]

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTE: Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children.

a. Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.

b. After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.

c. Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.

d. After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.

e. The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.

f. In percentage points.

TABLE B-3.   ESTIMATED COSTS AND EFFECTS OF A CHILD SUPPORT ASSURANCE
PROGRAM THAT HAS A HIGH MAXIMUM BENEFIT AND REQUIRES
AN AWARD OR COOPERATION FOR ELIGIBILITY, 1989 VERSUS 1995

	1989 Estimates	1995 Projections	Change (Percent)
Costs (Billions of dollars)[a]			
Gross Costs[b]	14.0	20.1	43
AFDC Savings (-)[c]	-6.2	-8.1	31
Food Stamp Savings (-)[c]	-1.1	-2.0	78
Net Costs Excluding Revenues	6.7	9.9	49
Increase in Income Tax Revenues (-)	-1.2	-1.8	43
Net Costs	5.4	8.1	50
Effects on Families			
Number of Families Receiving Benefits (Millions)	5.7	6.8	20
Average Annual Payment per Family (Dollars)[d]	2,485	2,955	19
Percentage of Families Losing Eligibility for AFDC[e]	21.4	29.7	8[f]

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTE: Costs and effects are only for families that include a custodial mother. AFDC = Aid to Families with Dependent Children.

a.   Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.

b.   After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.

c.   Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.

d.   After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.

e.   The percentage of families who lose their AFDC benefits is based only on those families who are receiving AFDC and who are also eligible to receive child support.

f.   In percentage points.

APPENDIX C: THE TRIM2 MODEL AS THE BASIS FOR CBO'S ESTIMATES

For this memorandum, the Congressional Budget Office used the Transfer Income Model, Version 2 (TRIM2), developed and maintained by the Urban Institute, to simulate a child support assurance program under alternative designs. Over the past several years, with funding from the Department of Health and Human Services and CBO, the Urban Institute has added a child support module to TRIM2 as well as a module to simulate a CSAP.

The Child Support Module

TRIM2 and its child support module are based on the March 1990 Current Population Survey of the Bureau of the Census, which gathers information for income year 1989.[1] TRIM2 uses data from the April 1990 Child Support Supplement to the CPS (CPS-CSS) to impute child support characteristics to the March CPS file.

The TRIM2 universe of mothers who are potentially eligible for child support is identical in concept to the April CPS-CSS universe: mothers with at least one child under the age of 21 who live apart from the child's father.[2] The CPS-CSS, however, undercounts the number of eligible mothers because it does not identify currently married mothers who had children by another man out of wedlock or any mother (married, divorced, or separated) who had children from an earlier divorce or separation but not from the latest one.

In the TRIM2 model, all divorced, separated, and never-married mothers with a child under age 21 in the March CPS are considered to be potentially eligible for child support. The procedure for finding currently married mothers who are potentially eligible for child support is more difficult. TRIM2 identifies several groups of eligible married mothers, using information from both the March CPS and the April CPS-CSS, as follows: mothers who live in a family in which the husband reports having stepchildren on the March CPS, mothers who report child support income on the March CPS, and other mothers identified as being potentially eligible for child support on the April CPS-CSS. Because those three sources do not provide enough currently married mothers who are potentially eligible for child support, TRIM2 randomly selects additional married mothers. Those mothers account for about 10 percent of all married mothers estimated by TRIM2 to be potentially

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1.   This description and the following one on the child support assurance module draw on information in Sandra Clark, *Using Microsimulation to Model Child Support Characteristics and Child Support Assurance Programs* (Washington, D.C.: Urban Institute, 1994).

2.   The CPS-CSS does not include information on custodial fathers or on people caring for children of other parents (for example, children in foster care).

eligible for child support (or about 3 percent of all eligible mothers). Through a complex set of steps, TRIM2 then determines which children in the family are potentially eligible for child support.

After identifying the potentially eligible universe of mothers, child support characteristics or outcomes are imputed to the mothers. Those imputations are based on five equations, with the following dependent variables:

o   The probability that a mother who is potentially eligible for child support is supposed to receive child support--that is, has an award;

o   The amount of child support due those mothers who are supposed to receive child support;

o   The probability of receiving any child support for those mothers who are supposed to receive child support--that is, who have awards;

o   The probability of receiving the full amount due for those mothers who receive some child support; and

o   The amount of child support received by those mothers who receive less than the full amount due.

The equations were estimated from the April CPS-CSS data. Each included as explanatory variables marital status, age, race, education, family income, eligibility for Aid to Families with Dependent Children, region of residence, metropolitan status, and the number of children eligible for child support. An individual mother's probability (as determined from the equations) is then compared with a random number between 0 and 1; if her probability exceeds the random number, TRIM2 identifies her as being supposed to receive child support, receive payments, or receive the full amount due. Different random numbers are used for the three determinations. The award and payment amounts are estimated using multiple regressions.[3]

TRIM2 can then simulate changes in its child support outcomes by altering those predicted values. For example, in its projections for 1995, CBO estimated that recent legislative changes affecting establishments of paternity would increase by 6 percentage points the probability that a never-married woman would have an award. That increase was applied directly to the probability of each never-married woman

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3.   For a comparison of the TRIM2 estimates of child support and the April CPS-CSS numbers from the Bureau of the Census for 1989, see Congressional Budget Office, *The Changing Child Support Environment*, CBO Paper (February 1995), Appendix A.

before the change. Similarly, CBO estimated that the effects of legislation relating to guidelines for awards would raise award amounts by 15 percent; in that case, the predicted value was multiplied by 1.15. Because the equations operate sequentially, TRIM2 captures interactions among child support outcomes. (For example, an increase in child support awards increases the number of mothers receiving child support, and so on.)

The CPS information on incomes--notably that on child support--is annual. Estimating the effects of a CSAP, however, requires monthly data. Thus, TRIM2 distributes annual child support payments across months of the year. If the payment equals the child support award, the payment is divided evenly over 12 months. Payments that are less than awards are distributed among a number of months less than 12, based on reported monthly data on child support in the Survey of Income and Program Participation of the Bureau of the Census.

Projecting Child Support to 1995

To estimate the effects of a CSAP in 1995--and to assess the status of child support in general--CBO projected child support variables in 1995. Using the 1989 TRIM2 estimates as a base, CBO made the projections in two steps. First, it projected changes from 1989 to 1995 in the number of mothers eligible for child support and in child support outcomes, by marital status, based on their past trends. Second, CBO estimated changes in the child support environment between 1989 and 1995 resulting from legislative changes in the Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993. (CBO based its estimates on studies of the impacts of those laws.) Specifically, CBO estimated the effects of pre-sumptive guidelines for setting awards, reviewing and modifying past awards, immediately withholding child support from wages, and establishing paternity. These two projected sets of changes were then combined and applied to the TRIM2 model to simulate the 1995 child support environment.[4]

Because of the complexity of the model and the estimated changes for the 1995 update that CBO developed, the simulations of the 1995 environment were run only once. Greater reliability would have been achieved if the simulations had been run multiple times to generate a range of estimates.

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4. For more detail, see Congressional Budget Office, *The Changing Child Support Environment*, Appendix B.

The Child Support Assurance Module

The TRIM2 module can model many alternative designs of a CSAP. The simulations are based on the child support characteristics imputed to families in the child support module or on other family characteristics (such as income) that are available from the CPS.

One important aspect of the simulation is determining overall participation rates--that is, the proportion of families who receive benefits relative to those eligible for benefits. TRIM2 models participation as a function of family income, family type (one- or two-parent family), and the amount of benefits from a CSAP for which the family is eligible. Participation rises with the amount of the benefit and falls with income. Each family is assigned a probability of participating based on the above characteristics. TRIM2 then compares that probability with a random number to decide if the family participates. The module allows families who are receiving AFDC to participate at different rates. As noted earlier, CBO's estimates are based on a participation rate of 100 percent for those families.

Another important feature is the estimation of recoupment, which allows "excess" child support to be used to offset previous payments of CSAP benefits. In TRIM2, excess child support can be either amounts above the CSAP maximum benefit--the recoupment measure used by CBO in its estimates--or amounts above the larger of the maximum benefit or the award. The excess is measured monthly, accumulated for the year, and recouped up to the point at which all of the benefits have been paid back or all of the excess has been retained. For some families, there would be no excess child support and thus no recoupment. For others, all of the benefits from a CSAP would be recouped. For still others, the excess would not be as large as their CSAP benefits; in that case, all of the excess would be recouped, but the families would still receive some benefits for the year.

Because TRIM2 also simulates participation and benefits in a number of government programs--including AFDC and Food Stamps--and federal tax revenues, it can estimate interactions among those programs, child support, and a CSAP.[5] For AFDC, none, some, or all of a family's benefits from a CSAP can be counted in determining eligibility and benefit levels. The Food Stamp program would be directly affected by the amount of CSAP benefits its recipients received, depending on what proportion was counted as income. It would be indirectly affected by any change in the AFDC benefits of its recipients caused by the CSAP because AFDC benefits are counted as income in the Food Stamp program. In both programs, TRIM2 resimulates eligibility and benefits in order to calculate any program savings

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5.   For more information, see Linda Giannarelli, *An Analyst's Guide to TRIM2--The Transfer Income Model, Version 2* (Washington, D.C.: Urban Institute Press, 1992).

or costs as a result of the CSAP. If CSAP benefits were taxable, TRIM2 could simulate the amount of any increased revenues. Such simulations were the source of the estimated savings in the AFDC and Food Stamp programs and the revenue gains reported in this memorandum.